

**UNITED STATES DEPARTMENT OF AGRICULTURE**

Farm Service Agency  
Washington, DC 20250

**Notice LP-1818**

**For:** State and County Offices

**Reminder of Spot Check Procedures**

**Approved by:** Acting Deputy Administrator, Farm Programs



**1 Overview**

**A**

**Background**

8-LP, Part 5 provides spot check policy for:

- outstanding loans
- loan deficiency payments (LDP's).

A recent Office of Inspector General (OIG) audit disclosed that several:

- States Offices were not:
  - monitoring County Office completions of monthly spot checks
  - conducting annual reviews of County Offices' spot check folders
  - documenting results of reviews
- County Offices were not:
  - conducting on-site spot checks in a timely manner
  - verifying and comparing production evidence to outstanding loan or LDP quantities.

As a result of the OIG audit findings, it is necessary to clarify spot checking policies and remind State and County Offices of their spot checking responsibilities.

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**Disposal Date**

March 1, 2002

**Distribution**

State Offices; States Offices relay to County Offices

## Notice LP-1818

### 1 Overview (Continued)

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#### B

##### Purpose

This notice reminds State and County Offices of the following:

- spot check responsibilities
  - to reconcile loans and LDP's that were randomly selected for spot check that exceeded the maximum allowable quantity at the time of disbursement.
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### 2 Spot Check Policy

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#### A

##### Basic Spot Check Policy

Marketing assistance loans and LDP's are subject to spot check for up to 9 months from the date of disbursement, if production evidence was not provided at the time the loan or LDP was disbursed. In addition to the normal required checks, refer to 8-LP, Part 5 for situations when required spot checks are necessary.

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#### B

##### Automated Spot Check Process

Marketing assistance loans and LDP's are randomly selected for spot check using the APSS automated spot checking process. APSS generates several reports that list the loans and LDP's that are required to be spot checked and any related loans or LDP's associated with the producer's ID. The automated spot check process must be run by the 10<sup>th</sup> workday of each month.

12-PS, Part 15 provides automated spot check procedures and instructions for generating the monthly spot check reports.

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## 2 Spot Check Policy (Continued)

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### C

#### **Conducting and Completing Spot Checks**

Spot checks can be conducted by either of the following:

- on-farm visits
- notifying the producer by letter, with State Office concurrence, of the required acceptable production evidence and the deadline for submitting the production to the County Office to complete the spot check.

To complete the loan and LDP spot checks when on-site farm visits are conducted, ensure that measurement calculations are accurate and within reason of the COC-established yields for the applicable commodity. If a measurement service determines a shortage or a quality problem exists, then take necessary actions according to 8-LP, paragraph 518 for loans and paragraph 519 for LDP's.

Refer to 8-LP, paragraph 535 for acceptable forms of productions evidence.

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### D

#### **Reconciling Loans and LDP's Issued for Quantities Exceeding COC-Established Yields**

For randomly selected loans and LDP's issued for quantities that were not within reason of the COC-established yield, County Offices must verify that:

- COC approved the loan and LDP for the requested quantity
- acceptable production and other documentation to support the yield was provided by the producer.

**Note:** Loan and LDP requests that included quantities that exceeded the COC-established yields are not approved according to 8-LP, subparagraph 132 G. However, the producer could appeal the determination and based on COC's determination the loan or LDP quantities may be approved.

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## Notice LP-1818

### 3 State and County Office Spot-Check Responsibilities

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#### A

##### State Responsibilities

State Offices are responsible for reviewing County Office spot checks, according to 8-LP, paragraph 523. 8-LP, subparagraph 523 A instructs State Offices to annually review County Office spot check folders. State Offices should document and file annual review findings.

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#### B

##### County Office Responsibilities

County Offices are responsible for notifying producers of any discrepancies found, as a result of the spot check, using the applicable notification letter according to 8-LP, paragraph 602. County Offices are reminded to complete spot checks and record the spot check results in APSS in a timely manner.

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